

**Managed Risk Medical Insurance Board
March 7, 2007, Public Session**

Board Members Present: Cliff Allenby, Areta Crowell, Ph.D., Sophia Chang, M.D., M.P.H., Richard Figueroa, M.B.A

Ex Officio Members Present: Warren Barnes (on behalf of the Secretary for Business, Transportation and Housing), Bob Sands (on behalf of the Secretary for California Health and Human Services Agency), and Jack Campana

Staff Present: Lesley Cummings, Laura Rosenthal, Ruth Jacobs, Janette Lopez, Terresa Krum, Ronald Spingarn, Mary Anne Terranova, Ernesto Sanchez, Larry Lucero, Carolyn Tagupa, Rosie Lamb, Adrienne Thacker, Melissa Ng

Chairman Allenby called the meeting to order.

REVIEW AND APPROVAL OF MINUTES OF January 24, 2007 MEETING

The Board reviewed the minutes from the previous meeting.

A motion was made and unanimously passed to approve the minutes of the January 24, 2007, meeting with one modification: Joe Munso, not Bob Sands, was Secretary Belshé's designee for the Health and Human Services Agency.

SCHIP REAUTHORIZATION UPDATE

[The following agenda item was taken out of order]

Peter Harbage of Harbage Consulting presented to the Board the results of his assessment of California's State Childrens' Health Insurance Program (SCHIP) funding needs for FFY 08-12. Federal SCHIP funds support 2/3 of the cost of the Healthy Families Program (HFP) and certain Medicaid programs. The analysis was prepared under a grant from the California Healthcare Foundation. The paper, handed out at the meeting, is a working draft.

The paper and Mr. Harbage's power point presentation to the Board are available on the MRMIB website www.mrmib.ca.gov/ What's New/SCHIP funding.

Mr. Harbage noted that the presentation is part 1 of 3 in a series of papers. The series is intended to inform California and Washington policy makers about various issues associated with SCHIP Reauthorization. The second paper will focus on changes in SCHIP law that California might want to advocate for. The third paper will analyze the allocation formula used to distribute funding to the states. All of the papers will be posted to the MRMIB website upon completion.

Mr. Harbage pointed out that when Congress established SCHIP it appropriated funding for a 10 year period that expires on September 30, 2007. Congress needs to appropriate funding to continue the program beyond that time. His paper projects the funding that California will need for the next five years and estimates what level of federal funding Congress would have to provide for California to obtain sufficient funding.

Mr. Harbage indicated that he had prepared a low, medium, and high forecast of California's SCHIP funding needs. The forecast was prepared in consultation with MRMIB and DHS staff. A number of different assumptions drive the estimates including rates of health care inflation, population growth, take-up rates, and rates of employer-sponsored coverage. For example, the high range assumes a 99% take-up rate, a 4.2% increase per year in health plan rates, a 10% increase in Medicaid programs, a 35% increase in county mental health services, a 19% increase in services provided by the California Children's Services (CCS) and a 1.3%/year decrease in employer sponsored coverage. (Appendix C of the report details these assumptions.)

Mr. Harbage estimates that California will need between \$2.8 billion to \$4.2 billion over baseline (of \$4.0 billion) over the five year period of FFY 08 to FFY 12. He discussed the federal baseline funding concept. The federal budget assumes that the amount spent on a program in the current year will be spent in the next year. This amount constitutes "the baseline". The national "baseline" for SCHIP is \$5 billion/year or \$25 billion for 5 years. Under the "Pay Go" rules adopted in Congress, Congress is not expected to find funding ("Pay Fors") for baseline expenditures. Congress is expected to find funding for amounts over the baseline. He calculates that if Congress provided \$35 billion over baseline for SCHIP California would obtain the funding it needs. This estimate assumes that California's share of the federal appropriation would be 16% or more.

He noted that a number of advocates have called for an additional \$60 billion. This would include \$15 billion for shortfall states; and another \$45 billion divided between SCHIP and Medicaid dollars. It is not clear how the \$45 billion will get divided between the two programs. Senator Baucus has called for \$ 50 billion a year over baseline. President Bush has budgeted \$ 5 billion/year over baseline. Mr. Harbage opined that the \$60 billion is most likely sufficient for California to both maintain and expand its current programs. There are a number of factors

that have to be taken into consideration, however when assessing whether funding is adequate.

Ms. Cummings indicated that she thought the most important issue is how much of the funding is SCHIP. Mr. Harbage affirmed that this was correct, but pointed out that even if \$20-25 billion is for Medicaid, there would still be sufficient funds for SCHIP.-

Mr. Harbage went on to state the President's budget is not enough. The \$4.8 billion in the President's budget will begin in 2009, not 2008. This is because the President assumes that there a 2008 budget at 2007 levels would result in unspent funds overall that could be redirected to states in need of funding. The Center of Budget and Policy Priorities concurs with this view. However, the President actually doesn't provide additional funding until years 2010, 2011 and 2012. Mr. Harbage opined that it seemed unwise for California to rely on redistribution of allotment dollars from other states to address the funding shortfall. In addition, the President and others have suggested that maybe allotments should be available on a one-year basis. Presently, the law provides for three years of funding availability and this will likely remain important.

Mr. Harbage concluded his presentation by stating it has been a pleasure to work on this project.

Ms. Cummings asked why advocate groups feel it is important to ask for money for Medicaid, given that it is an entitlement program? Mr. Harbage said it is his sense that these folk see this as an opportunity. People think that SCHIP will be reauthorized. There is a broad bipartisan support in a movement to help children. This is why these folk want to talk about Medicaid as well. Another reason may be that some states have expanded Medicaid. California has an SCHIP program that is separate. Some states have their own Medicaid program through Title XXI to get the enhanced match dollars. Medicaid dollars spent through Title XXI count against the allotment. This does matter.

Ms. Cummings commented to the Board that she thought it was important to look to the high range estimate when assessing California's needs. This is because 1) it is the Administration's goal to enroll all eligible but unenrolled children in HFP and MC; and 2) the Governor has called for enactment of an individual mandate for coverage under his health care reform proposal, and this would dramatically increase take-up rates.

Chairman Allenby asked if there were any questions or comments.

Dr. Crowell stated she was appreciative of receiving the report in advance because it made following the presentation easier. She thanked Mr. Harbage for the good work. Dr. Crowell stated she was in agreement with Ms. Cummings on

the need to seek funding for the high range estimate. She requested that Mr. Harbage speak about the political processes going on now in terms of timing and what is happening.

Mr. Harbage informed the Board that the first step is for budget committees to decide globally what they want their budgets to look like. The President has submitted his budget. The budget committees are having hearings to decide broadly how much money goes into education, how much money goes into defense and so on.

Mr. Harbage also stated that various members of Congress are in support of different approaches. Senator Baucus and Ron Emanuel in the House of Representatives have a proposal looking at the \$60 billion level but which parallels a lot of what the advocates are saying. As the calendar gets closer to spring and summer there will be increased activity. There has been some talk in Washington that all of this could be decided by early summer. Given everything, however, it seems unlikely. However, there is urgency in passing something prior to October, 2007 because after that date, there would no longer be an amount considered "baseline" and Congress would have to do "pay fors" for the entire amount. Mr. Harbage stated he has since heard that this may not be entirely true but thinks the legislation will happen this year.

Chairman Allenby stated that this is all good.

Ms. Cummings described to the Board recent activities of MRMIB staff to inform policy makers of California's SCHIP issues. Ronald Spingarn and Mary Anne Terranova attended the Academy of Health Conference and were able to provide information to various stakeholders while they were in Washington. Ms. Cummings stated she would be going back to Washington in a couple of weeks for an SCHIP Directors meeting and she will use her time there to provide information to additional people.

Mr. Campana stated this was a good report and thanked Mr. Harbage. Several years ago MRMIB had on our radar screen families and parents of children. Some states moved forward on this. He asked if there is any national advocacy for including parents.

Mr. Harbage stated that some states have funded parents with SCHIP funds. California received federal approval to do so, but never managed to find the state match for the expansion... There are a couple of states where there are more parents than children. Given the budget situation and given where the advocates are, the discussions dropped off. And, given the President's position that he wants to cut back to 200 percent of poverty, there is very little dialogue right now about parents.

Ms. Cummings stated the maintaining funding for parents in those states that have funded parents with SCHIP dollars will be part of the Congressional discussion.

Ms. Cummings acknowledged Mr. Harbage for his excellent analysis and indicated that it was more sophisticated than other estimates of SCHIP funding needs. Mr. Harbage has been a real contribution to our thinking here in California but it will also be a contribution towards the national thinking.

HEALTH CARE REFORM UPDATE

Ronald Spingarn reviewed with the board a comparison of five proposals on health care reform that are before the legislature. These proposals are from the Governor, President Pro Tem Perata, Speaker of the Assembly Nunez, Senator Kuehl and the Senate Republicans. There has not been much in terms of the development of the actual proposals yet.

Chairman Allenby asked if there were any questions or comments.

Terri Cowger Hill, Legislative Advocate from the 100% Campaign/PICO stated her policy staff could not be present at the board meeting today but she was here to speak on their behalf. Ms. Cowger Hill presented a set of principles on health care reform shared by a coalition that includes the 100% Campaign, United Way, local health councils and local California Children's Health Initiatives (CHI's). Ms. Cowger-Hill stated her organization is entitling a paper "Children's Coverage Coalition Recommendations for Health Care Reform Plans." These principles include the following:

The coalition is enthusiastic that the state policy leaders have proposed sweeping health care reform plans that include coverage for all children residing in California. It hopes that the funding and launching of this expansion effort happens in 2007. In addition, the organization is supportive of the provision of subsidized coverage for families with incomes up to 300 percent of the federal poverty level, so that meaningful insurance is affordable.

The coalition recommends easing of MediCal eligibility restrictions for families so that more parents would be covered under the MediCal program along with their children. At least all children below the 133 percent of the federal poverty level should qualify for MediCal so that siblings can stay together in the same program. This is a slight variation from the Governor's 100 percent Brightline.

The coalition supports the idea that all pregnant women below 200% of federal poverty level should continue to qualify for MediCal but also

recommends that infants up to age 1 stay with their mother's insurance- (Medi-Cal).

The coalition wants children to have a comprehensive set of benefits that are reduced from existing levels. It supports affordable cost sharing where premiums and other cost sharing must be affordable based on income. The coalition is willing to work with MRMIB on this.

Program simplification is another area that the coalition supports. The 100% Campaign was the sponsor of SB 437 (Escutia) that was signed into law by the Governor last session. Staff at 100% Campaign is working with the Administration to ensure it is properly implemented. There remain a few things that did not get into SB 437 at the end of session that we want to see get included in this year's bills or programs.

The coalition is concerned about the adequacy of funding for children presently being served in CHI's and believes any health care reform plan must include sufficient supplemental money to insure children currently eligible for them.

The coalition also supports affordable options for children above the 300 percent federal poverty level and the Medi-Cal rate increases included in the Governor's proposal.

The 100% Campaign is sponsoring two bills this year: SB-32 (Steinberg) and Assembly Member Laird who is the co-author), as well as AB-1 (Laird/Dymally).

In conclusion, Ms. Cowger-Hill stated the 100% Campaign is available to provide its expertise with respect to the children's health coverage piece and looks forward to an exciting year.

Chairman Allenby asked if there were any questions or comments. There were no further questions or comments from the Board or the public.

STATE LEGISLATION UPDATE

Legislative Summary

Mary Anne Terranova provided the Board with an update of bills that affect MRMIB's programs. Since the last board meeting there have been 23 new bills added to the summary. Ms. Terranova discussed a few of them.

Chairman Allenby asked if there were any questions or comments.

Mr. Figueroa asked whether, given the bill introduction deadline, the list was complete. Ms. Terranova replied that there may be a few more bills added. She stated that staff has reviewed bills through the February 21 date. And, the deadline for introducing a bill was February 23. By the next board meeting staff will have a complete list for the Board.

Chairman Allenby asked if there were any more questions or comments. There were no further questions or comments.

HEALTHY FAMILIES PROGRAM (HFP) UPDATE

Designation of Community Provider Plans for 2007-2008

Carolyn Tagupa provided the Board with an update on the Community Provider Plan designations. This year there were 25 counties where audits could have been done. In eight of these counties, plans declined to participate in the audit. The 17 remaining counties included changes in 8 counties and in one county- San Diego the determination is still pending.

Chairman Allenby asked if there were any questions or comments. There were no further questions or comments.

Approval of HFP Plan Contract Amendments for 2007-2008

Chairman Allenby stated there are two items for approval. One is to approve the rates staff negotiated with plans. And, two, the Board needs to approve two resolutions included with agenda item 7.b.

For the plan year 2007-08, the Board finds that, in order to ensure that adequate network capacity exists in Alameda, Contra Costa, Fresno, San Francisco and San Mateo counties so that all subscribers may be enrolled in a Family Value Package, the seven and one half percent Family Value Package threshold described in Title 10, Section 2699.6500 [r] of the California Code of Regulations must be raised in said counties to permit continuing participation by contracted plans. This finding is made in accordance with Title 10, Section 2699.6500 [r] of the California Code of Regulations.

And that, for the plan year 2007-08, the Board finds that, in order to avoid requiring 50 percent of the Delta Dental Plan of California subscribers, or one thousand Delta Dental subscribers, in Orange, Los Angeles and Santa Barbara Counties to change dental plans in the Health Families Program, any combination of Delta Dental Plan of California plus a contracting health and vision plan in Orange, Los Angeles and Santa Barbara Counties will be deemed a family value package, but only for applicants with subscribers enrolled in Delta Dental Plan of California prior

to the beginning of the 2007-08 plan year. This finding is made in accordance with Title 10, Section 2699.6500 [r] of the California Code of Regulations.

The board unanimously approved the contract amendments.

HFP Advisory Panel Membership Selection Guidelines

Janette Lopez noted that there are a number of vacancies on the Advisory Panel. Prior to making recommendations to the Board at the April meeting, staff want to review proposed guidelines it will use in evaluating applicants. She presented the proposed guiding principles and asked if the Board had any proposed changes.

Chairman Allenby asked if there were any questions or comments.

Dr. Chang asked what has been the experience in having professional organizations actually endorse a candidate. Is this pretty common?

Ms. Lopez replied that it has varied. Staff does not solicit recommendations from professional organizations. But, some physicians and persons seeking to fill the clinic position have included recommendations from their professional organizations with their application. This is probably a more common practice when someone is very interested in being an Advisory Panel member, whether a returning member or new member.

Dr. Chang stated this seems that this is more at the instigation of the individual. Ms. Lopez replied that is correct. Dr. Chang stated she was just trying to clarify the process.

Chairman Allenby asked if there were any further questions or comments. There were none.

Update on Phase I (SED) Report: UCSF Report Modification

Rosie Lamb provided the Board with an update on the Phase One report that UCSF had prepared concerning Serious Emotional Disorders (SED). Dr. Dana Hughes from UCSF had previously presented the report to the Board in September, made some changes to it after receiving feedback at the Board meeting. Ms. Lamb detailed the changes since the last presentation. The revised report is on the MRMIB website www.mrmib.ca.gov.

Ms. Lamb stated she also wanted to provide the Board with a brief update on the solicitation for Phases II and III. MRMIB received four proposals and staff will present recommendations at the next Board meeting.

Chairman Allenby asked if there were any further questions or comments. There were none.

Analysis of Increased Reimbursement for Application Assistance

Larry Lucero updated the Board on application assistance reimbursement. He mentioned there was a modest increase of \$700,000 for the second six-month period; Staff believes that to accurately assess the impact of increased application assistance, however, it needs to compare data for the same six months period. This would adjust for application seasonality.

Chairman Allenby asked if there were any questions or comments.

Hellan Roth Dowden for Teachers for Healthy Kids (THK) provided Board members and staff with posters THK is using in the schools to do outreach on HFP and MC. The posters cite the HFP 800 number. THK is also purchasing billboards in counties with the highest rates of uninsured children.

Mr. Campana stated there has been concern in the education community about the loss of funds for MediCal administrative activities (MAA) reimbursement for schools. Mr. Campana asked Ms. Roth Dowden to be watchful of the circumstances because it could have a serious effect on those assisting families for access to health care. Ms. Roth Dowden stated her organization is very involved in MAA funding. The state is about to automate the reimbursement system, but no one has seen the new system. It is supposed to be completed by the end of the month. Schools are concerned because the state may be coming up with something that they don't want to pay for. MAA is a critical component in funding outreach. Ms. Cummings commented that her understanding was that the last federal budget eliminated MAA funding entirely. Ms. Dowden responded that she has heard that the new Congress will restore it. Mr. Figueroa said he thought CMS planned to promulgate regulations. Ms. Roth Dowden stated they regulations may come out with the budget in May. Mr. Figueroa said he thought the regulations were separate from the budget process.

Leah Morris from Health Net wanted to comment on the CPP presentation. She thanked Carolyn Tagupa, Hazel Hoang and Cindy Wagstaff for their work. Health Net is proud that last year it submitted three counties and this year submitted nine counties to go through the audit process. Ms. Morris wants to see if Health Net could work with staff at MRMIB on the timing. The turn around time on the paper is short-only three weeks.

MAJOR RISK MEDICAL INSURANCE (MRMIP) UPDATE

MRMIP Benefit Plan Design Update

Ms. Cummings stated it is staff's intention to bring the Board results of the MRMIP benefit design plan review at the April board meeting.

There being no further business to come before the Board, the meeting was duly adjourned.